

Message Text

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PAGE 01 DACCA 02005 080206 Z

16

ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 IO-12 ADP-00 IGA-02 AGR-20

CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SS-15 USIA-12 AID-20 EB-11

CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 COME-00 FRB-02

XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01 /222 W

----- 130866

R 071109 Z MAY 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9641

INFO AMEMBASSY BANGKOK

AMCONSUL CALCUTTA

AMCONSUL HONG KONG

AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

AMEMBASSY SINGAPORE

USMISSION USUN NY

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E. O. 11652: N/ A

TAGS: EFIN, ETRO, BG

SUBJECT: FREEZE ON LETTERS OF CREDIT FOR IMPORTS

REF: DACCA 1952

SUMMARY: GOVT. PRESS RELEASE CONFIRMS FREEZE ON LETTERS CREDIT FOR IMPORTS BY MUCH OF PRIVATE SECTOR. PROVISION MADE FOR EARLY CLEARANCE FOR IMPORTS ESSENTIAL COMMODITIES AND INDUSTRIAL GOODS. SCREENING OUT OF BOGUS IMPORT FIRMS IS ANNOUNCED INTENT OF DRASITC MEASURE, BUT SOME SUSPECT FAST DECLINE FOREX RESERVES MAY BE ALSO FACTORIN FREEZE, WHICH MAY LAST 6-8 WEEKS.

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PAGE 02 DACCA 02005 080206 Z

1. BDG PRESS RELEASE MAY 4 REPORTS SURVEY BEING CARRIED OUT BY GOVERNMENT WHICH HAS REVEALED EXISTENCE LARGE NUMBER " FICTITIOUS UNITS" IMPORTING IN BOTH COMMERCIAL AND INDUSTRIAL SECTORS. BDG HAS THEREFORE DECIDED WITHHOLD FURTHER ISSUANCE IMPORT LICENSES TO COMMERCIAL IMPORTERES (BUT NOT, APPARENTLY, TO INDUSTRIAL IMPORTERS, MAJOR ONES NATIONALIZED) AND TO BAR FURTHER OPENING LETTERS OF CREDIT AGAINST PARTIALLY OR WHOLLY UNUTILIZED IMPORT LICENSES ISSUED UNDER CASH BOTH FOR JAN- JUNE 1973 SHIPPING PERIOD AND ALSO EARLIER JULY- DEC 1972 PERIOD.

2. COMMERCIAL IMPORTERS WILL BE ALLOWED TO OPEN L/ C WHEN FOUND TO BE GENUINE IMPORTERS ON BASIS PRESENT SURVEY. CHIEF CONTROLLER IMPORTS/ EXPORTS TO MAKE SPECIAL ARRANGEMENT FOR QUICK CLEARANCE TO COMMERCIAL IMPORTERS FOLLOWING ESSENTIAL COMMODITIES: COCOANUT OIL, DRUGS & MEDICINES (ALLOPATHIC), DUPLICATING STENCILS, GLUCOSE, HOMEOPATHIC MEDICINES, IRON & STEEL OTHER THAN C. I. SHEETS, PARTS OF BICYCLES, PARTS OF AUTOMATIC (SIC) VEHICLES, TYPEWRITER RIBBON, X- RAY FILMS & PLATES, STATIONERY ALL SORTS. SUPPLIES OF PARTICULARLY ESSENTIAL ITEMS AMONG FOREGOING TO BE AUGEMENTED BY INCREASED IMPORTS THROUGH STATE TRADING CORP. OF BANGLADESH.

3. INDUSTRIAL IMPORT- LICENSE HOLDERS WILL HAVE TO GAIN SIMILAR CLEARANCE FROM DIRECTOR GENERAL/ INDUSTRIES, OR BANGLADESH SMALL INDUSTRIES CORP. BEFORE L/ C' S CAN BE OPENED AGAINST LICENSES ALREADY ISSUED OR TO BE ISSUED. SPECIAL QUICK CLEARANCE PROCEDURE TO BE ADOPTED.

4. BDG DOES NOT INTEND TO APPLY RESTRICTIONS TO IMPORT LICENSES ISSUED UNDER FOREIGN AID OR BARTER FOR TIME BEING BUT DOES NOT EXEMPT SUCH LICENSE HOLDERS FROM SURVEY NOW BEING CARRIED OUT.

5. COMMENT: BANKING SOURCES ADVISE FREEZE EXPECTED TO LAST 6 TO 8 WEEKS, WHICH WILL BE DISRUPTIVE INDEED TO FLOW NONFOOD IMPORTS BY PRIVATE SECTOR. QUESTION RAISED AS TO WHETHER BOGUS FIRMS COULD NOT AS EASILY BE IDENTIFIED BY OTHER FORM OF SURVEY ACCOMPANIED BY OTHER RESTRICTIONS WHICH DO NOT PENALIZE GENUINE AS WELL AS SUSPECT IMPORTERS. FURTHER SPECULATION IS THAT BECAUSE OF FAST DECLINE FOREIGN EXCHANGE RESERVES, BDG NEEDS BREATHING SPACE LIMITED OFFICIAL USE

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PAGE 03 DACCA 02005 080206 Z

DURING WHICH TO DELAY ALLOCATIONS FOREX FOR SOME IMPORTS WHILE FOREX PROCEEDS FROM EXPORTS CAN BUILD UP AND WHILE BDG CAN CONTINUE SEEK REFINANCING TO MEET IMPORT BILLS FOR MASSIVE RECENT PURCHASES FOODGRAINS, ETC.

6. GOVERNOR OF BANGLADESH BANK HAS LEFT FOR UK AND US AND IS EXPECTED TO PURSUE REFINANCING SCHEMES SUCH AS ONE PROPOSED

BY AMERICAN EXPRESS TO SYNDICATE \$50 MILLION SHORT- TERM LOAN
TO BANGLADESH BANK TO COVER RECENT IMPORTS.
GOVERNOR WILL BE CONFERRING WITH AMEXCO. NEW YORK.
NEWBERRY

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ETRO
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973DACCA02005
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730537/aaaahxod.tel
Line Count: 121
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 DACCA 1952
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 03 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Aug-2001 by boyleja>; APPROVED <24-Aug-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 971211
Subject: FREEZE ON LETTERS OF CREDIT FOR IMPORTS
TAGS: EFIN, BG
To: BANGKOK
CALCUTTA
HONG KONG
ISLAMABAD
KARACHI
LONDON
NEA

NEW DELHI
SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005